

**ASSEMBLY BILL**

**No. 32**

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**Introduced by Assembly Member Charles Calderon**

September 5, 2008

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An act to repeal Article 1.5 (commencing with Section 25110) of Chapter 17 of Part 11 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 32, as introduced, Charles Calderon. Corporation tax: water's-edge election: repeal.

The Corporation Tax Law imposes taxes measured by income and, in the case of a business with income derived from or attributable to sources both within and without this state, apportions the income between this state and other states and foreign countries in accordance with a specified 4-factor formula based on the property, payroll, and sales within and without this state, except as otherwise provided. That law allows corporations to elect whether their income is determined on a "water's-edge" basis or on a worldwide unitary basis. In general, a corporation that makes a water's-edge election is subject to tax on income only from sources within the United States but is required to take into account the income and apportionment factors of certain specified affiliated entities.

This bill would repeal those provisions allowing corporations to make a water's-edge election.

This bill would result in a change in state taxes for the purpose of increasing state revenues within the meaning of Section 3 of Article XIII A of the California Constitution, and thus would require for passage the approval of  $\frac{2}{3}$  of the membership of each house of the Legislature.

This bill would state that it addresses the fiscal emergency declared by the Governor by proclamation issued on January 10, 2008, pursuant to the California Constitution.

This bill would take effect immediately as a tax levy.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Article 1.5 (commencing with Section 25110) of  
2 Chapter 17 of Part 11 of the Revenue and Taxation Code is  
3 repealed.

4 SEC. 2. This act addresses the fiscal emergency declared by  
5 the Governor by proclamation on January 10, 2008, pursuant to  
6 subdivision (f) of Section 10 of Article IV of the California  
7 Constitution.

8 SEC. 3. This act provides for a tax levy within the meaning of  
9 Article IV of the Constitution and shall go into immediate effect.

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